

BRIDGMAN PUBLIC SCHOOL DISTRICT

FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2008

BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2008

BOARD OF EDUCATION

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Contents

| | |
|--|---------|
| Independent Auditor's Report | 1 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 2 - 3 |
| Schedule of Findings and Responses | 4 |
| Management's Discussion and Analysis | 5 - 11 |
| Basic Financial Statements | |
| District-wide Financial Statements: | |
| Statement of Net Assets | 12 |
| Statement of Activities | 13 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 14 |
| Reconciliation of Balance Sheet of Governmental Funds to Net Assets | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds | 16 |
| Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities | 17 |
| Fiduciary Fund: | |
| Statement of Fiduciary Net Assets | 18 |
| Notes to Financial Statements | 19 - 29 |
| Required Supplemental Information | |
| Budgetary Comparison Schedule – General Fund | 30 |
| Other Supplemental Information | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 31 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 32 |



Independent Auditor's Report

To the Board of Education
of Bridgman Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bridgman Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2008, on our consideration of Bridgman Public School District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and page 30 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bridgman Public School District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Schaffer & Layher
October 24, 2008

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
of Bridgman Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District as of and for the year ended June 30, 2008, which collectively comprise Bridgman Public School District's basic financial statements and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Bridgman Public School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bridgman Public School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bridgman Public School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses is a material weakness.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA



To the Board of Education
of Bridgman Public School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bridgman Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Bridgman Public School District in a separate letter dated October 24, 2008.

Bridgman Public School District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Bridgman Public School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

Schaffer & Layher
October 24, 2008

David Schaffer, CPA
Michael Layher, CPA
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Raymond Marks, CPA
Jeff Edmunds, CPA



Schedule of Findings and Responses

The following findings have been identified as significant deficiencies:

Finding 2008-1

Financial Reporting Process

Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes. The staff of the School District does understand all information included in the annual financial statements, but obtains assistance in the preparation. Internal controls should be in place to provide reasonable assurance to the School that management prepare, monitor, and report annual financial activity without auditor intervention. The effect of this condition places a reliance on the independent auditor to be part of the School's internal controls over financial reporting. The School District should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Management Response

We are aware of this deficiency, however, given the state of educational funding, it is not cost beneficial for us to develop these processes. We will re-evaluate if additional funding becomes available. We will continue to rely on our independent auditors for such technical assistance.

Finding 2008-2

Segregation of Duties

The School District lacks an appropriate segregation of incompatible duties with appropriate control objectives. We understand this is primarily due to financial constraints.

Management Response

We are aware of this deficiency; however, given the size of our entity and our available resources, it is difficult to provide for appropriate segregation of incompatible duties for all accounting functions. However, we will evaluate available options to administer limited segregation of duties for key accounting functions given our current resources.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Bridgman Public School District is a K-12 School District located in Berrien County, Michigan. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2008 of the management of Bridgman Public School District ("the School District").

Generally accepted accounting principles ("GAAP") and GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the School District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: 2007 Capital Projects Fund, 1986 Building and Site Fund, Public Improvement Fund, Debt Service Fund, and the School Service Funds which are comprised of: Food Service, Athletics, and Recreation Funds.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District-Wide Financial Statements

The District-wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Fund solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

The School District as Trustee — Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These are excluded activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Agency Fund is an unbudgeted fund that accounts for the activities of student groups and other types of clearing accounts.

Summary of Net Assets

The District had \$6,212,004 and \$6,684,745 in net assets as of June 30, 2008 and 2007, respectively. The net assets of the District as of June 30, 2008 and 2007 are summarized in the table below:

| | June 30, 2008 | June 30, 2007 |
|--|---------------------|---------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 2,291,136 | \$ 3,488,183 |
| Receivables | 613,087 | 599,443 |
| Net capital assets | 5,814,170 | 5,205,104 |
| Other assets | 37,536 | 36,044 |
| Total Assets | \$ 8,755,929 | \$ 9,328,774 |
| Liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 772,757 | \$ 728,398 |
| Other obligations | 66,168 | 110,631 |
| Bonds payable | 1,705,000 | 1,805,000 |
| Total Liabilities | \$ 2,543,925 | \$ 2,644,029 |
| Net Assets: | | |
| Investment in capital assets - net of related debt | \$ 4,109,170 | \$ 4,751,751 |
| Restricted for capital projects | - | 1,555,259 |
| Unrestricted | 2,102,834 | 377,735 |
| Total Net Assets | \$ 6,212,004 | \$ 6,684,745 |

Analysis of Financial Position

During fiscal year ended June 30, 2008, the District's net assets decreased by \$472,741. A few of the significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The District's expenditures from General Fund operations exceeded revenues by \$215,704 for the fiscal year ended June 30, 2008. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

B. Early Retirement Incentive

In fiscal year 2004, the School District offered, and several teachers accepted, an early retirement incentive. The total cost to the School District of the program was \$222,317 and the District paid out \$44,463 related to this agreement during the current year. As of June 30, 2008, \$48,168 was still outstanding and is included in the statement of net assets.

Analysis of Financial Position, Concluded**C. Net Investment in Capital Assets**

The District's net investment in capital assets increased by \$609,066 during the year. The net activity for the year is summarized in the following table:

| | Balance | | | | Balance |
|--------------------------------|---------------------|-------------------|-------------|-----------|------------------|
| | July 1, 2007 | Additions | Deletions | | June 30, 2008 |
| Capital Assets | \$ 12,706,492 | \$ 1,003,854 | \$ - | \$ | 13,710,346 |
| Less: accumulated depreciation | (7,501,388) | (394,788) | - | | (7,896,176) |
| Net investment capital outlay | <u>\$ 5,205,104</u> | <u>\$ 609,066</u> | <u>\$ -</u> | <u>\$</u> | <u>5,814,170</u> |

The current year additions of \$1,003,854 relate to various improvements made to the School District's buildings and swimming pool for the primary purpose of future energy cost savings. The School District owns no infrastructure assets.

D. Long-Term Debt

During fiscal 2007, the District issued \$1,805,000 of general obligation – limited tax School Building and Site bonds. The proceeds were primarily used for the remodeling, re-equipping, and improvement of existing District sites. During the current fiscal year, the District made principal payments totaling \$100,000 related to these bonds.

Results of Operations

The District-wide results of operations for the fiscal years ended June 30, 2008 and 2007 are summarized in the table below:

| | 2008 | 2007 |
|---|----------------------------|----------------------------|
| Revenues: | | |
| General Revenues: | | |
| Property taxes levied for general operations | \$ 5,982,970 | \$ 5,400,576 |
| Property taxes levied for recreational purposes | 428,106 | 386,072 |
| State aid not restricted to specific purposes | 2,424,790 | 3,024,939 |
| Other general revenues | 193,203 | 218,926 |
| Total general revenues | <u>\$ 9,029,069</u> | <u>\$ 9,030,513</u> |
| Operating Grants: | | |
| Federal | \$ 265,174 | \$ 243,925 |
| State of Michigan | 15,595 | 12,446 |
| Other operating grants | 262,260 | 257,545 |
| Total operating grants | <u>\$ 543,029</u> | <u>\$ 513,916</u> |
| Charges for Services: | | |
| Food service | \$ 253,091 | \$ 225,987 |
| Athletics | 68,663 | 72,928 |
| Other charges for services | 94,041 | 90,213 |
| Total charges for services | <u>\$ 415,795</u> | <u>\$ 389,128</u> |
| Total revenues | <u>\$ 9,987,893</u> | <u>\$ 9,933,557</u> |
| Expenses: | | |
| Instruction and instructional support | \$ 5,905,457 | \$ 5,860,279 |
| Support services | 3,070,251 | 2,955,295 |
| Food service | 369,919 | 334,059 |
| Recreation | 349,539 | 341,671 |
| Athletics | 298,343 | 289,467 |
| Interest on long-term debt | 72,337 | 28,196 |
| Depreciation | 394,788 | 321,408 |
| Total expenses | <u>\$ 10,460,634</u> | <u>\$ 10,130,375</u> |
| Change in Net Assets | <u>\$ (472,741)</u> | <u>\$ (196,818)</u> |
| Beginning Net Assets | <u>6,684,745</u> | <u>6,881,563</u> |
| Ending Net Assets | <u><u>\$ 6,212,004</u></u> | <u><u>\$ 6,684,745</u></u> |

A. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan unrestricted aid is determined by the following variables:

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 75 percent of current year fall count and 25 percent of prior year winter count, and
3. The District's non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The Bridgman Public School District's net foundation allowance for fiscal year 2008 was \$8,191 per student. This net amount increased by \$48 or 0.6 % over the District's 2006-2007 foundation allowance of \$8,143 per student.

Student Enrollment

The District's student enrollment for the fall count of 2007-2008 was 999 students. The District's enrollment increased slightly from the prior year's student count. The following summarizes fall student enrollments for the past five years:

| <u>Fiscal Year</u> | <u>Student FTE</u> | <u>FTE Change from Prior Year</u> |
|--------------------|--------------------|---------------------------------------|
| 2007-2008 | 999 | 1 |
| 2006-2007 | 998 | (34) |
| 2005-2006 | 1032 | 12 |
| 2004-2005 | 1020 | 3 |
| 2003-2004 | 1017 | 13 |

Subsequent to year end June 30, 2008, preliminary student enrollments for 2008-2009 indicate that enrollments may decrease by four students from 2007-2008.

B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The District levies approximately 8.376 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property levy for the 2007-2008 fiscal year was \$5,982,970. The non-homestead tax levy increased by 10.8 percent over the prior year.

B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), Concluded

The following summarizes the District's non-homestead levy over the past five years:

| <u>Fiscal Year</u> | <u>Non-Homestead Tax Levy</u> | <u>% Change from Prior Year</u> |
|--------------------|-----------------------------------|-------------------------------------|
| 2007-2008 | 5,982,970 | 10.8% |
| 2006-2007 | 5,400,576 | 2.0% |
| 2005-2006 | 5,295,428 | 3.9% |
| 2004-2005 | 5,093,713 | 4.5% |
| 2003-2004 | 4,873,609 | 4.2% |

5.08% Average Increase

C. Recreation Fund

The District's recreation fund levies are based on the taxable valuation of all properties: homestead and non-homestead. The recreation fund levy is used to maintain community pool and other recreation facilities within the District.

For 2007-2008, the District's recreation millage levy was 0.5 mills which generated a levy of \$428,106.

D. Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults increased by \$27,104 to \$253,091 from the prior school year. School breakfast, lunch, and milk prices did not change from the prior year.

The total revenues from Food Service operations exceeded total expenditures for the year by \$13,962.

General Fund Expenditures Budget Vs. Actual—Five Year History

| | Expenditures Preliminary Budget | Expenditures Final Budget | Expenditures Final Audit | Variance: Audit vs. Prelim. Budget | Variance: Audit vs. Final Budget |
|-----------|--|------------------------------|-----------------------------|--|--|
| 2007-2008 | \$ 9,369,781 | \$ 9,369,781 | \$ 9,321,626 | 0.01% | 0.01% |
| 2006-2007 | 9,166,373 | 9,143,359 | 9,025,913 | 1.53% | 1.28% |
| 2005-2006 | 9,070,829 | 9,239,308 | 9,095,280 | (0.27)% | 1.56% |
| 2004-2005 | 8,855,828 | 8,855,828 | 8,821,428 | 0.39% | 0.39% |
| 2003-2004 | 8,608,045 | 8,753,396 | 8,651,156 | (0.50)% | 1.18% |
| | Five Year Average (-Over/Under) Budget | | | 0.23% | 0.88% |

General Fund Revenues Budget Vs. Actual—Five Year History

| | Revenues Preliminary Budget | Revenues Final Budget | Revenues Final Audit | Variance: Audit vs. Prelim. Budget | Variance: Audit vs. Final Budget |
|-----------|--|--------------------------|-------------------------|--|--|
| 2007-2008 | \$ 9,222,243 | \$ 9,222,243 | \$ 9,105,922 | 1.26% | 1.26% |
| 2006-2007 | 9,148,902 | 9,059,878 | 9,121,721 | 0.30% | (0.68)% |
| 2005-2006 | 8,779,751 | 8,948,714 | 9,016,394 | (2.69)% | (0.76)% |
| 2004-2005 | 8,657,456 | 8,657,456 | 8,697,489 | (0.46)% | (0.46)% |
| 2003-2004 | 8,375,002 | 8,456,191 | 8,442,897 | (0.81)% | 0.16% |
| | Five Year Average (Over/-Under) Budget | | | (0.48)% | (0.01)% |

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Bridgman Public School District may amend its budget during the school year. The District did not amend its original budget during the 2008 fiscal year.

Contacting the District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office at Bridgman Public School District.

BRIDGMAN PUBLIC SCHOOL DISTRICT**STATEMENT OF NET ASSETS
JUNE 30, 2008**

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Current assets: | |
| Cash and investments | \$ 2,291,136 |
| Receivables | 3,906 |
| Due from other governmental units | 609,181 |
| Inventories | 17,928 |
| Prepaid expenditures | 19,608 |
| Total current assets | <u>\$ 2,941,759</u> |
| Noncurrent assets: | |
| Capital assets | 13,710,346 |
| Less: accumulated depreciation | (7,896,176) |
| Total noncurrent assets | <u>\$ 5,814,170</u> |
| Total Assets | <u><u>\$ 8,755,929</u></u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | \$ 133,490 |
| Accrued payroll and other liabilities | 639,267 |
| Provision for uncollectible taxes | 18,000 |
| Bonds payable, due within one year | 125,000 |
| Other obligations, due within one year | 44,463 |
| Total current liabilities | <u>\$ 960,220</u> |
| Noncurrent liabilities: | |
| Bonds payable, due in more than one year | \$ 1,580,000 |
| Other obligations, due in more than one year | 3,705 |
| Total noncurrent liabilities | <u>\$ 1,583,705</u> |
| Total Liabilities | <u>\$ 2,543,925</u> |
| Net Assets | |
| Investment in capital assets - net of related debt | \$ 4,109,170 |
| Unrestricted | 2,102,834 |
| Total Net Assets | <u>\$ 6,212,004</u> |
| Total Liabilities and Net Assets | <u><u>\$ 8,755,929</u></u> |

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

| Functions/Programs | Expenses | Charges for Services | Operating Grants/ Contributions | Net (Expense) Revenue and Changes in Net Assets |
|--|----------------------|---------------------------------|--|--|
| Primary government - | | | | |
| Governmental activities: | | | | |
| Instruction | \$ 5,905,457 | \$ 66,821 | \$ 378,995 | \$ (5,459,641) |
| Support services | 3,070,251 | - | 33,244 | (3,037,007) |
| Food services | 369,919 | 253,091 | 130,790 | 13,962 |
| Recreation | 349,539 | 27,220 | - | (322,319) |
| Athletics | 298,343 | 68,663 | - | (229,680) |
| Interest on long-term debt | 72,337 | - | - | (72,337) |
| Depreciation (unallocated) | 394,788 | - | - | (394,788) |
| | <u>\$ 10,460,634</u> | <u>\$ 415,795</u> | <u>\$ 543,029</u> | <u>\$ (9,501,810)</u> |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purposes | | | | \$ 5,982,970 |
| Property taxes, levied for recreational purposes | | | | 428,106 |
| State aid not restricted to specific purposes | | | | 2,424,790 |
| Interest and investment earnings | | | | 152,782 |
| Other | | | | <u>40,421</u> |
| Total general revenues | | | | <u>\$ 9,029,069</u> |
| Change in Net Assets | | | | <u>\$ (472,741)</u> |
| Net Assets - beginning of year | | | | <u>6,684,745</u> |
| Net Assets - end of year | | | | <u><u>\$ 6,212,004</u></u> |

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

| | General Fund | Debt Service Fund | Other Nonmajor Governmental Funds | Total |
|--|---------------------|----------------------|--|---------------------|
| Assets | | | | |
| Cash and investments | \$ 1,655,140 | \$ 336,036 | \$ 299,960 | \$ 2,291,136 |
| Receivables | 1,333 | - | 2,573 | 3,906 |
| Due from other governmental units | 609,181 | - | - | 609,181 |
| Due from other governmental funds | 9,729 | - | 23,419 | 33,148 |
| Inventories | 15,801 | - | 2,127 | 17,928 |
| Prepaid expenditures | 19,608 | - | - | 19,608 |
| Total Assets | <u>\$ 2,310,792</u> | <u>\$ 336,036</u> | <u>\$ 328,079</u> | <u>\$ 2,974,907</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 117,610 | \$ - | \$ 4,514 | \$ 122,124 |
| Accrued salaries and other liabilities | 633,355 | - | 5,912 | 639,267 |
| Provision for uncollectible taxes | 18,000 | - | - | 18,000 |
| Due to other governmental funds | 23,419 | - | 9,729 | 33,148 |
| Total Liabilities | <u>\$ 792,384</u> | <u>\$ -</u> | <u>\$ 20,155</u> | <u>\$ 812,539</u> |
| Fund Balances | | | | |
| Reserved for inventories | \$ 15,801 | \$ - | \$ 2,127 | \$ 17,928 |
| Reserved for prepaid expenditures | 19,608 | - | - | 19,608 |
| Reserved for capital projects | - | - | 161,807 | 161,807 |
| Reserved for debt service | - | 336,036 | - | 336,036 |
| Board designation | 229,962 | - | - | 229,962 |
| Unreserved and undesignated | 1,253,037 | - | - | 1,253,037 |
| Unreserved and undesignated - food service | - | - | 37,527 | 37,527 |
| Unreserved and undesignated - recreation | - | - | 95,485 | 95,485 |
| Unreserved and undesignated - athletics | - | - | 10,978 | 10,978 |
| Total Fund Balances | <u>\$ 1,518,408</u> | <u>\$ 336,036</u> | <u>\$ 307,924</u> | <u>\$ 2,162,368</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,310,792</u> | <u>\$ 336,036</u> | <u>\$ 328,079</u> | <u>\$ 2,974,907</u> |

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS
JUNE 30, 2008**

Total Fund Balances - Governmental Funds **\$ 2,162,368**

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

| | |
|----------------------------|-------------|
| Cost of the capital assets | 13,710,346 |
| Accumulated depreciation | (7,896,176) |

Long term liabilities are not due and payable in the current
period and are not reported in the funds:

| | |
|-----------------------|-------------|
| Bonds payable | (1,705,000) |
| Accrued severance pay | (48,168) |

Accrued interest on long-term debt is not included as a liability in
government funds, it is recorded when paid

(11,366)

Total net assets - Governmental activities

\$ 6,212,004

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

| | General Fund | Debt Service Fund | Other Nonmajor Governmental Funds | Total |
|--|---------------------|------------------------------|--|-----------------------|
| Revenues | | | | |
| Property taxes | \$ 5,982,970 | \$ - | \$ 428,106 | \$ 6,411,076 |
| Local sources | 107,242 | - | 348,974 | 456,216 |
| State sources | 2,424,790 | - | 15,595 | 2,440,385 |
| Federal sources | 149,979 | - | 115,195 | 265,174 |
| Intermediate sources | 262,260 | - | - | 262,260 |
| Earnings on investments | 120,278 | - | 32,504 | 152,782 |
| Total Revenues | \$ 9,047,519 | \$ - | \$ 940,374 | \$ 9,987,893 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction and Instructional support services | \$ 5,799,023 | \$ - | \$ - | \$ 5,799,023 |
| Supporting services | 3,018,539 | - | 1,069,513 | 4,088,052 |
| Debt service | - | 189,167 | - | 189,167 |
| Capital outlay | - | - | 1,003,854 | 1,003,854 |
| Intergovernmental payments | 150,897 | - | - | 150,897 |
| Total Expenditures | \$ 8,968,459 | \$ 189,167 | \$ 2,073,367 | \$ 11,230,993 |
| Excess (Deficiency) of Revenues over (under) Expenditures | \$ 79,060 | \$ (189,167) | \$ (1,132,993) | \$ (1,243,100) |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | \$ 58,403 | \$ 525,203 | \$ 240,000 | \$ 823,606 |
| Operating transfers out | (353,167) | - | (470,439) | (823,606) |
| Total Other Financing Sources (Uses) | \$ (294,764) | \$ 525,203 | \$ (230,439) | \$ - |
| Net Change in Fund Balances | \$ (215,704) | \$ 336,036 | \$ (1,363,432) | \$ (1,243,100) |
| Fund Balances - Beginning of year | 1,734,112 | - | 1,671,356 | 3,405,468 |
| Fund Balances - End of year | \$ 1,518,408 | \$ 336,036 | \$ 307,924 | \$ 2,162,368 |

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

| | |
|---|-----------------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (1,243,100) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. | |
| Depreciation expense | (394,788) |
| Capital outlay | 1,003,854 |
| Repayment of bonds is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 100,000 |
| Accrued interest on bonds is recorded in the statement of activities when incurred: it is not reported in governmental funds until paid | 16,830 |
| Decreases in severance pay are reported as expenditures as financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6 | <u>44,463</u> |
| Change in Net Assets of Governmental Activities | <u><u>\$ (472,741)</u></u> |

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

| | Agency Fund- Student Activities |
|---------------------------|--|
| Assets: | |
| Cash and cash equivalents | <u><u>\$ 82,700</u></u> |
| Liabilities: | |
| Due to student groups | <u><u>\$ 82,700</u></u> |

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bridgman Public School District (the “School District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts’ reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-Wide and Fund Financial Statements

The District-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements — The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-Wide Statements (concluded) — Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in other funds.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and other related costs.

Additionally, the government reports the following fund types:

The School Service Funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic, Recreation, and Food Services Funds.

1986 Building & Site Fund was established for the purpose of purchasing sites for, and construction or repair of school buildings. The fund was established in 1986 and was funded with tax levies in 1986, 1987, and 1988.

2007 Capital Projects Fund is the fund that accounts for the expenditures to build school improvements used with the proceeds of the bond issue that the School District issued in fiscal year 2007.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Public Improvement Fund is the fund that accounts for the funds transferred from general fund (in prior years) for the purpose of acquiring, constructing, extending, altering, repairing or equipping public improvements or buildings.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Agency Funds — The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments — Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables — In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown for the School District. An allowance for uncollectible amounts is determined annually and is recorded as a liability on the Statement of Net Assets. For Bridgman Public School District, taxpayers in the city of Bridgman and Lake Charter, Baroda, and Lincoln Townships, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes which are due September 15. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state’s School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**Assets, Liabilities, and Net Assets or Equity, concluded**

Inventories — Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory and deferred revenue until used.

Prepaid Items — Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements

Capital Assets — Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The school district does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

| | |
|-------------------------------|-------------|
| Buildings and additions | 20-50 years |
| Buses and other vehicles | 5-10 years |
| Furniture and other equipment | 5-20 years |
| Land Improvements | 10-20 years |

Compensated Absences — Employees are allowed to accrue varying amounts of sick leave each year depending on employee classification. However, no liability for unused sick leave is accrued as such amounts cannot be reasonably estimated as compensation for future absences are contingent upon absences being caused by future illness. Vacation accruals have been recorded in the financial statements for those employees who earn and are allowed to accrue and be paid for unused vacation upon termination.

Fund Equity — In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data — Comparative data is not included in the School District's financial statements.

Estimates — The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles and state law for the general fund. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds - The school district had expenditures that exceeded appropriations in the following budgeted functions:

General Fund:

| | |
|--|-----------|
| Instruction – Basic Programs | \$ 30,878 |
| Supporting Services – General Administration | 33,725 |
| Supporting Services – School Administration | 3,768 |
| Supporting Services – Operations and Maintenance | 7,574 |

NOTE 3. DEPOSITS AND INVESTMENTS

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

| | Governmental Activities | Fiduciary Funds | Total Primary Government |
|---------------------------|----------------------------|--------------------|-----------------------------|
| Cash and cash equivalents | <u>\$ 2,291,136</u> | <u>\$ 82,700</u> | <u>\$ 2,373,836</u> |

The breakdown between deposits and investments for the School District is as follows:

| | |
|--|---------------------|
| Deposits (checking and savings accounts) | \$ 347,439 |
| Money market | 2,025,282 |
| Petty cash and cash on hand | 1,115 |
| | <u>\$ 2,373,836</u> |

Bank Deposits: All cash of the School District is on deposit with financial institutions which provide FDIC insurance coverage.

NOTE 3. DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$2,250,556 of the School District's bank balances of \$2,691,998 was exposed to custodial credit risk, because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments: Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United States Bank, and 6) Certain mutual funds. The School District has put further restrictions on those investments through its current policy. As of June 30, 2008, the School District had no investments.

Interest Rate Risk: In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations ("NRSRO's"). As of June 30, 2008, the School District had no investments.

Concentration of Credit Risk: The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2008, the School District had no investments.

Custodial Credit Risk – Investments: For an Investment, this is the risk that in the event of bank failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2008, the School District had no investments.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the School District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

| | General Fund | 2007 Capital Projects Fund | Nonmajor and Other Funds | Total |
|-----------------------------------|-------------------|-------------------------------|-----------------------------|-------------------|
| Receivables: | | | | |
| Intergovernmental | \$ 609,181 | \$ - | \$ - | \$ 609,181 |
| Trade | 1,333 | - | 2,573 | 3,906 |
| Provision for uncollectible taxes | (18,000) | - | - | (18,000) |
| | <u>\$ 592,514</u> | <u>\$ -</u> | <u>\$ 2,573</u> | <u>\$ 595,087</u> |

Payables as of year-end for the School District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

| | General Fund | 2007 Capital Projects Fund | Nonmajor and Other Funds | Total |
|-----------|-------------------|-------------------------------|-----------------------------|-------------------|
| Payables: | | | | |
| Trade | <u>\$ 117,610</u> | <u>\$ -</u> | <u>\$ 4,514</u> | <u>\$ 122,124</u> |

NOTE 5. CAPITAL ASSETS

| | Balance July 1, 2007 | Additions | Disposals and Adjustments | Balance June 30, 2008 |
|--------------------------------------|-------------------------|---------------------|------------------------------|--------------------------|
| Assets not being depreciated: | | | | |
| Land | \$ 151,100 | \$ - | \$ - | \$ 151,100 |
| Capital assets being depreciated: | | | | |
| Building and building improvements | \$ 10,746,563 | \$ 1,003,854 | \$ - | \$ 11,750,417 |
| Land improvements | 632,021 | - | - | 632,021 |
| Buses and other vehicles | 752,865 | - | - | 752,865 |
| Furniture and equipment | 423,943 | - | - | 423,943 |
| Subtotal | <u>\$ 12,555,392</u> | <u>\$ 1,003,854</u> | <u>\$ -</u> | <u>\$ 13,559,246</u> |
| Accumulated depreciation: | | | | |
| Building and building improvements | \$ 6,261,455 | \$ 297,239 | \$ - | \$ 6,558,694 |
| Land improvements | 364,096 | 25,726 | - | 389,822 |
| Buses and other vehicles | 515,505 | 61,359 | - | 576,864 |
| Furniture and equipment | 360,332 | 10,464 | - | 370,796 |
| Subtotal | <u>\$ 7,501,388</u> | <u>\$ 394,788</u> | <u>\$ -</u> | <u>\$ 7,896,176</u> |
| Net capital assets being depreciated | <u>\$ 5,054,004</u> | | | <u>\$ 5,663,070</u> |
| Net capital assets | <u>\$ 5,205,104</u> | | | <u>\$ 5,814,170</u> |

Depreciation expense of \$394,788 was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The general fund transfers monies to the athletic fund to subsidize athletic activities. Transfers were made from the general, recreation, and capital projects funds to the debt service fund to fund interest and principal payments on long-term debt. The recreation fund transfers monies to the general fund to offset costs incurred by the general fund.

The composition of interfund balances is as follows:

Due To/From Other Funds:

| Receivable Fund | Payable Fund | Amount |
|--------------------|-----------------|-----------|
| Recreation Fund | General Fund | \$ 19,704 |
| Food Services Fund | General Fund | 3,715 |
| General Fund | Athletics Fund | 1,505 |
| General Fund | Recreation Fund | 8,224 |

Interfund Transfers:

| Transfer In: | Transfer Out: | Amount |
|-------------------|-----------------------|------------|
| Athletics Fund | General Fund | \$ 240,000 |
| Debt Service Fund | General Fund | 113,167 |
| Debt Service Fund | Recreation Fund | 46,000 |
| Debt Service Fund | Capital Projects Fund | 366,036 |
| General Fund | Recreation Fund | 58,403 |

NOTE 7. LONG-TERM DEBT

The School District has issued bonds to provide for the improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligation activity can be summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|-------------|---------------------|---------------------|------------------------|
| <i>Governmental Activities:</i> | | | | | |
| Bonds | \$ 1,805,000 | \$ - | \$ (100,000) | \$ 1,705,000 | \$ 125,000 |
| Early Retirement Incentive | 92,631 | - | (44,463) | 48,168 | 44,463 |
| Total Long-Term Debt Worth | <u>\$ 1,897,631</u> | <u>\$ -</u> | <u>\$ (144,463)</u> | <u>\$ 1,753,168</u> | <u>\$ 169,463</u> |

Governmental Activities:

General obligation bonds consist of:

\$1,805,000 - 2007 School Building and Site Bonds (general obligation - limited tax); payable in annual installments of \$100,000 to \$190,000 beginning May 1, 2008 through May 1, 2019; interest at 4.00%. \$ 1,705,000

NOTE 7. LONG-TERM DEBT (CONCLUDED)

Annual debt service requirements to maturity for the bond obligations are as follows:

| <i>Governmental Activities:</i> | | | |
|---------------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2009 | \$ 125,000 | \$ 68,200 | \$ 193,200 |
| 2010 | 130,000 | 63,200 | 193,200 |
| 2011 | 135,000 | 58,000 | 193,000 |
| 2012 | 140,000 | 52,600 | 192,600 |
| 2013 | 145,000 | 47,000 | 192,000 |
| 2014-2018 | 840,000 | 141,800 | 981,800 |
| 2019 | 190,000 | 7,600 | 197,600 |
| | <u>\$ 1,705,000</u> | <u>\$ 438,400</u> | <u>\$ 2,143,400</u> |

Interest expense of \$72,337 was not charged to activities as the School considers its debt impacts multiple activities and allocation is not practical.

NOTE 8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims, workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

NOTE 9. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS (CONCLUDED)

The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$919,060, \$934,265, and \$869,078, respectively.

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

NOTE 10. PROVISION FOR UNCOLLECTIBLE PROPERTY TAXES

The Berrien County Treasurer's office assumes the responsibility of collecting delinquent real and personal property taxes. The County advances real property taxes in anticipation of collection, but it remits delinquent personal property taxes as it receives payment.

The Bridgman Public School District has been advised that it is responsible for repayment to the County, plus interest, of any uncollectible real property taxes.

Accordingly, a provision of \$18,000 for uncollectible real property taxes has been established to provide for such a repayment to the County.

NOTE 11. FUND BALANCE DESIGNATION

A portion of the general fund has been designated for a budgeted excess of expenditures over revenues for fiscal year ending June 30, 2009 totaling \$229,962.

NOTE 12. OTHER BENEFITS

In addition to the pension benefits described in Note 9, the School District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The School District is also able to offer a tax deferred "buy-in" program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee's contribution was calculated based on the previous year's salary and age.

NOTE 13. RECONCILIATION WITH R7120

The following reconciles the current year federal revenues reported with the R7120:

| | <u>Amount</u> |
|---|--------------------------|
| Federal Sources per General Fund | \$ 149,979 |
| Federal Sources per School Service Fund | <u>115,195</u> |
| | \$ 265,174 |
| Less: | |
| Items passed through B.C.I.S.D. | (9,931) |
| Food distribution commodities | (16,716) |
| Federal revenue in current year accounts receivable | (140,048) |
| Plus: | |
| Federal revenue in prior year accounts receivable | <u>128,888</u> |
| Current year receipts reported on the R7120 | <u><u>\$ 227,367</u></u> |

NOTE 14. OPERATING LEASES

The District leases various office equipment under operating leases expiring over periods ranging from fiscal year ends 2009 – 2012. Future minimum lease payments are as follows:

| | |
|------|-------------------------|
| 2009 | \$ 17,628 |
| 2010 | 9,513 |
| 2011 | 9,513 |
| 2012 | <u>9,513</u> |
| | <u><u>\$ 46,167</u></u> |

Total rent expense for 2008 was \$20,400.

NOTE 15. EARLY RETIREMENT INCENTIVE

During the school year ended June 30, 2004, the School District offered, and several teachers accepted, an early retirement incentive. The total cost to the School District of the program was \$222,317 and at June 30, 2008, \$48,168 was still outstanding and is included in the statement of net assets.

**REQUIRED SUPPLEMENTAL
INFORMATION**

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
JUNE 30, 2008

| | Original and Final Budget | Actual |
|---|--------------------------------------|---------------------|
| Revenues | | |
| Property taxes | \$ 5,456,083 | \$ 5,982,970 |
| Local sources | 88,830 | 107,242 |
| State sources | 3,091,995 | 2,424,790 |
| Federal sources | 148,581 | 149,979 |
| Intermediate sources | 258,351 | 262,260 |
| Earnings on investments | 120,000 | 120,278 |
| Total Revenues | \$ 9,163,840 | \$ 9,047,519 |
| Expenditures | | |
| Instruction: | | |
| Basic programs | \$ 4,624,232 | \$ 4,655,110 |
| Added needs | 915,872 | 895,290 |
| Adult and continuing education | 277,453 | 248,623 |
| Supporting services: | | |
| Pupil | 196,510 | 195,357 |
| Instructional staff | 258,190 | 247,819 |
| General administration | 212,167 | 245,892 |
| School administration | 693,342 | 697,110 |
| Business services | 305,133 | 299,206 |
| Operations and maintenance | 966,890 | 974,464 |
| Transportation | 385,467 | 358,691 |
| Community services | - | - |
| Debt service | - | - |
| Capital outlay | - | - |
| Intergovernmental payments | 157,948 | 150,897 |
| Total Expenditures | \$ 8,993,204 | \$ 8,968,459 |
| Excess of Revenues over Expenditures | \$ 170,636 | \$ 79,060 |
| Other Financing Sources (Uses) | | |
| Operating transfers in | \$ 58,403 | \$ 58,403 |
| Operating transfers out | (376,577) | (353,167) |
| Total other financing uses | \$ (318,174) | \$ (294,764) |
| Net Change in Fund Balances | \$ (147,538) | \$ (215,704) |
| Fund Balances - Beginning of year | 1,734,112 | 1,734,112 |
| Fund Balances - End of year | \$ 1,586,574 | \$ 1,518,408 |

**OTHER SUPPLEMENTAL
INFORMATION**

BRIDGMAN PUBLIC SCHOOL DISTRICTCOMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**School Service Funds**

| | Athletics Fund | Recreation Fund | Food Services Fund | Public Improvement Fund | 1986 Building and Site Fund | 2007 Capital Projects Fund | Total Non- Major Govern- mental Funds |
|--|---------------------------|----------------------------|-----------------------------------|--|--|---|--|
| Assets | | | | | | | |
| Cash and investments | \$ 16,508 | \$ 89,974 | \$ 31,671 | \$ 101,870 | \$ 59,937 | \$ - | \$ 299,960 |
| Receivables | - | 80 | 2,493 | - | - | - | 2,573 |
| Due from other governmental units | - | - | - | - | - | - | - |
| Due from other governmental funds | - | 19,704 | 3,715 | - | - | - | 23,419 |
| Inventories | - | - | 2,127 | - | - | - | 2,127 |
| Total Assets | \$ 16,508 | \$ 109,758 | \$ 40,006 | \$ 101,870 | \$ 59,937 | \$ - | \$ 328,079 |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 431 | \$ 3,731 | \$ 352 | \$ - | \$ - | \$ - | \$ 4,514 |
| Accrued salaries and withholdings | 3,594 | 2,318 | - | - | - | - | 5,912 |
| Due to other governmental funds | 1,505 | 8,224 | - | - | - | - | 9,729 |
| Total Liabilities | \$ 5,530 | \$ 14,273 | \$ 352 | \$ - | \$ - | \$ - | \$ 20,155 |
| Fund Balance | | | | | | | |
| Reserved for inventories | \$ - | \$ - | \$ 2,127 | \$ - | \$ - | \$ - | \$ 2,127 |
| Reserved for capital projects | - | - | - | 101,870 | 59,937 | - | 161,807 |
| Reserved for debt service | - | - | - | - | - | - | - |
| Unreserved and undesignated - food service | - | - | 37,527 | - | - | - | 37,527 |
| Unreserved and undesignated - recreation | - | 95,485 | - | - | - | - | 95,485 |
| Unreserved and undesignated - athletics | 10,978 | - | - | - | - | - | 10,978 |
| Total Fund Balance | \$ 10,978 | \$ 95,485 | \$ 39,654 | \$ 101,870 | \$ 59,937 | \$ - | \$ 307,924 |
| Total Liabilities and Fund Balance | \$ 16,508 | \$ 109,758 | \$ 40,006 | \$ 101,870 | \$ 59,937 | \$ - | \$ 328,079 |

BRIDGMAN PUBLIC SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

| | School Service Funds | | | | | | |
|--|-----------------------------|----------------------------|-----------------------------------|--|--|---|--|
| | Athletics Fund | Recreation Fund | Food Services Fund | Public Improvement Fund | 1986 Building and Site Fund | 2007 Capital Projects Fund | Total Non- Major Govern- mental Funds |
| Revenues | | | | | | | |
| Property taxes | \$ - | \$ 428,106 | \$ - | \$ - | \$ - | \$ - | \$ 428,106 |
| Local sources | 68,663 | 27,220 | 253,091 | - | - | - | 348,974 |
| State sources | - | - | 15,595 | - | - | - | 15,595 |
| Federal sources | - | - | 115,195 | - | - | - | 115,195 |
| Interdistrict sources | - | - | - | - | - | - | - |
| Earnings on investments | 82 | 4,272 | - | 4,177 | 2,476 | 21,497 | 32,504 |
| Total Revenues | \$ 68,745 | \$ 459,598 | \$ 383,881 | \$ 4,177 | \$ 2,476 | \$ 21,497 | \$ 940,374 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| Instruction and Instructional support services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Supporting services | 298,343 | 349,539 | 369,919 | 26,750 | 24,962 | - | 1,069,513 |
| Community services | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | 1,003,854 | 1,003,854 |
| Intergovernmental payments | - | - | - | - | - | - | - |
| Total Expenditures | \$ 298,343 | \$ 349,539 | \$ 369,919 | \$ 26,750 | \$ 24,962 | \$ 1,003,854 | \$ 2,073,367 |
| Excess (Deficiency) of Revenues over (under) Expenditures | \$ (229,598) | \$ 110,059 | \$ 13,962 | \$ (22,573) | \$ (22,486) | \$ (982,357) | \$ (1,132,993) |
| Other Financing Sources (Uses) | | | | | | | |
| Bond proceeds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating transfers in | 240,000 | - | - | - | - | - | 240,000 |
| Operating transfers out | - | (104,403) | - | - | - | (366,036) | (470,439) |
| Total Other Financing Sources (Uses) | \$ 240,000 | \$ (104,403) | \$ - | \$ - | \$ - | \$ (366,036) | \$ (230,439) |
| Net Change in Fund Balances | \$ 10,402 | \$ 5,656 | \$ 13,962 | \$ (22,573) | \$ (22,486) | \$ (1,348,393) | \$ (1,363,432) |
| Fund Balances - Beginning of year | 576 | 89,829 | 25,692 | 124,443 | 82,423 | 1,348,393 | 1,671,356 |
| Fund Balances - End of year | \$ 10,978 | \$ 95,485 | \$ 39,654 | \$ 101,870 | \$ 59,937 | \$ - | \$ 307,924 |



October 24, 2008

To the Board of Education
Bridgman Public School District
Bridgman, Michigan 49106

As a regular part of our audit of the Bridgman Public School District (the "District") for the year ended June 30, 2008, we reviewed the accounting and internal control procedures of the District that we considered relevant to the criteria established by the Michigan Department of Education. Based upon this review, we would like to make the following comments and recommendations:

CURRENT YEAR RECOMMENDATIONS:

None

PRIOR YEAR RECOMMENDATIONS:

Hold Harmless Millage

The Bridgman Public School District is eligible to levy the Hold Harmless Millage, and should continue to evaluate on an annual basis the desirability of levying this millage.

We would be happy to discuss these recommendations and comments with you at your convenience. We would also like to express our appreciation for the courtesy and cooperation extended to us during the engagement.

This report is intended solely for the information and use of the Board of Education, management, and others within the School District.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
St. Joseph, Michigan

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA